

Message Text

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DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 ACDA-12 MCE-00 OES-07 /146 W
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P R 171400Z APR 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC PRIORITY 1536
INFO AMCONSUL ADANA
AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY MOSCOW
AMEMBASSY NICOSIA
AMEMBASSY PARIS
USMISSION GENEVA
USMISSION USNATO
USCINCEUR
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USDOCOSOUTH NAPLES
USDOCOLANDSOUTHEAST IZMIR

C O N F I D E N T I A L SECTION 1 OF 3 ANKARA 2950

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E.O. 11652: GDS
TAGS: ETRD, EEWT, TU, UR
SUBJECT: TURKISH-SOVIET TRADE PROTOCOL AND ECONOMIC COOPERATION
AGREEMENT
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REF: A) ANKARA 2536, B) 77 ANKARA A-78 (NOTAL)

1. SUMMARY. TURKISH AND SOVIET OFFICIALS IN ANKARA HAVE
CONFIRMED THAT NINETEENTH TURKISH-SOVIET TRADE PROTOCOL WITH
TWO ANNEXES WAS SIGNED APRIL 5, 1978, PROVIDING FOR TWO-WAY
TRADE VALUED AT \$357 MILLION, 37 PERCENT ABOVE LEVEL PLANNED

IN 1977 PROTOCOL AND ITS ANNEX. NEW AGREEMENT REFLECTS TURKISH DESIRE TO INCREASE BARTER TRADE, SOVIET DESIRE FOR TURKEY TO REPAY IN KIND PREVIOUS CREDITS, AND SOVIET REFUSAL TO SUPPLY PETROLEUM ON LONG-TERM CREDIT UNLESS TURKEY PAYS A POLITICAL PRICE. TURKEY PLANS TO IMPORT SOVIET AIRCRAFT AND HYDROFOILS. GOT CONFIRMS THAT, IN A SEPARATE DEVELOPMENT, TURKISH-SOVIET ECONOMIC COOPERATION AGREEMENT OF MARCH 15, 1977, WENT INTO EFFECT MARCH 31, 1978. END SUMMARY.

2. EFFECTIVE FROM APRIL 1, 1977, TO MARCH 31, 1978, THE NEW TRADE AGREEMENT PROVIDES FOR TURKISH EXPORTS VALUED AT \$202 MILLION AND SOVIET EXPORTS VALUED AT \$154 MILLION, UP 52 PERCENT AND 23 PERCENT, RESPECTIVELY, OVER LEVELS PLANNED IN THE PREVIOUS AGREEMENT. ALTHOUGH BOTH SIDES INSIST THEY PLAN TO FULFILL THESE TARGETS, 1977 TRADE DATA INDICATE TURKISH IMPORTS FROM USSR OF \$82 MILLION AND TURKISH EXPORTS OF \$80 MILLION, BOTH LESS THAN TWO-THIRDS OF LEVELS PLANNED FOR APRIL 1, 1977, TO MARCH 31, 1978.

3. MFA CONFIRMS THAT 1978 PROTOCOL ITEMIZES VALUE OR QUANTITY OF MOST TURKISH-SOVIET TRADE AND ITS TWO ANNEXES DESCRIBE THE REMAINDER IN FULFILLMENT OF ECONOMIC COOPERATION AGREEMENTS. ANNEX I FORESEES TURKISH EXPORTS VALUED AT \$36 MILLION IN REPAYMENT OF CREDITS EXTENDED BY USSR FOR PROJECTS PLANNED IN ECONOMIC COOPERATION AGREEMENT OF 1967. ANNEX II PROVIDES FOR SOVIET EXPORT OF MACHINERY AND EQUIPMENT VLUED
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AT \$16 MILLION FOR EXPANSION OF ISKENDERUN IRON AND STEEL COMPLEX AND TURKISH EXPORTS VALUED AT \$16 MILLION TO REPAY THE USSR. IN RESPONSE TO AN ALLEGATION IN THE NEW MAOIST DAILY "AYDINLIK" THAT ANNEX I PLANS TURKISH EXPORTS OF 300 TONS OF STRATEGIC WOLFRAM (TUNGSTEN) VALUED AT \$2 MILLION, COMMERCE MINISTER KOPRULULER CONFIRMED THAT TURKEY DOES PLAN SUCH EXPORTS, ASSUMING TURKEY IS ABLE TO START PRODUCTION OF WOLFRAM.

4. ALTHOUGH NOT ANNOUNCED IN THE MFA PRESS RELEASE, TURKISH IMPORTS OF SOVIET AIRCRAFT AND HYDROFOILS VALUED AT APPROXIMATELY \$26 MILLION WERE ACKNOWLEDGED BY TURKISH AND SOVIET SPOKESMEN. ASSISTANT DIRECTOR OF SOVIET TRADE MISSION IN ANKARA, VLADIMIR LIALIALIKIN, CONFIRMED THAT TURKEY AGREED TO PURCHASE FIVE MI-6 OR MI-8 HELICOPTERS FOR \$5 MILLION PLUS AN ADDITIONAL \$1 MILLION WORTH OF SPARE PARTS. EMBASSY CONTACTS IN MINISTRY OF INDUSTRY AND TECHNOLOGY, MINISTRY OF COMMERCE, AND MINISTRY OF FOREIGN AFFAIRS ACKNOWLEDGED THAT THE GOT HAD AGREED TO SUCH A DEAL BUT INSISTED THAT THE HELICOPTERS WOULD BE SOLD TO ANTBIRLIK AND CUKOBIRLIK AGRICULTURAL COOPERATIVES FOR PESTICIDE SPRAYING, AS STATED BY COMMERCE MINISTER TEOMAN KOPRULULER AT THE PROTOCOL-SIGNING

CEREMONY. TURKS AND SOVIETS ALSO CONFIRMED PRESS REPORTS
THAT THE GOT HAD AGREED TO IMPORT TWO YAK-40 AIRCRAFT FOR

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\$1.8 MILLION EACH PLUS \$720,000 WORTH OF SPARE PARTS AND
GROUND INSTALLATIONS TO BE BUILT IN ANKAR. THE YAK-40 IS A
SHORT-HAUL TRANSPORT WITH ABOUT THIRTY SEATS, SIMILAR TO THE
DUTCH F-28 JETS WHICH TURKISH AIRLINES CURRENTLY USES FOR ITS
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FEEDER LINES. HOWEVER, THE YAK-40 DEAL SEEMS UNLIKELY TO BE FULFILLED BECAUSE THE ECEVIT GOVERNMENT WILL PROBABLY NOT RENEW THE OPERATING LICENSE OF BURSA AIRLINE, WHICH IS REPUTED TO BE THE INTENDED RECIPIENT OF THESE AIRCRAFT. TURKS AND SOVIETS ALSO ACKNOWLEDGED THAT THE GOT HAS AGREED TO PURCHASE TWO COMETA-M HYDROFOIL FERRIES FOR \$8 MILLION EACH, BUT PRESS DESCRIPTION OF THESE AS "HOVER-CRAFT" WAS INACCURATE (SEE REFTEL A). THESE VESSELS ARE SIMILAR TO A PANAMA-FLAG COMETA-M WHICH IS CURRENTLY BEING USED AS A FERRY BETWEEN MERSIN, (TURKEY) AND TURKISH CYPRUS. COMETA-M HAS A SPEED OF 65 KM/HOUR AND A CAPACITY OF 116 PASSENGERS.

5. OTHER PRINCIPAL TURKISH IMPORTS UNDER 1978 PROTOCOL ARE AS FOLLOWS (VALUE IN MILLIONS OF DOLLARS): STEEL BLOOMS, INGOTS - 18.0; AMMONIUM SULPHATE - 15.5; ASBESTOS - 7.5; UREA - 5.5; ELECTRICITY - 5.0; TRI-SUPER PHOSPHATE - 3.0; MECHANICAL METAL-WORKING EQUIPMENT - 3.0; FERRO-ALLOYS - 2.5; COMPOSED FERTILIZERS - 1.5; BALL BEARINGS - 1.5; MACHINE TOOLS - 1.2; MEDICINES - 1.2; PULP WOOD - 1.0; CARBON BLACK - 1.0; GENERATORS - 0.7; PAPER - 0.5; WOOD PULP - 0.5.

EMBASSY NOTES THAT TURKEY HAS OBTAINED THE TRANSFORMER IT ORDERED FROM AUSTRIA IN ORDER TO CONVERT SOVIET ELECTRICITY TO TURKISH SPECIFICATIONS. BOTH SOVIETS AND TURKS EXPECT THE BATUM-HOPA LINK TO BE COMPLETED ON SCHEDULE SO THAT USSR MAY START SUPPLYING TURKEY WITH ELECTRICITY THIS JULY.

6. PRINCIPAL TURKISH EXPORTS UNDER 1978 PROTOCOL ARE AS FOLLOWS (VALUE IN MILLIONS OF DOLLARS, QUANTITY IN THOUSANDS OF TONS): (READ IN TWO COLUMNS: EXPORTS/VALUE) LIVESTOCK/5.0; TEXTILES AND LEATHERWEAR/5.0; OTHER INDUSTRIAL PRODUCTS/5.0;

(READ IN TWO COLUMNS: EXPORTS/QUANTITY)

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SINTERIZED MAGNESITE -50; GROUND BARITE -45; ALUMINA - 40; CITRUS FRUIT - 35; NUTS - 28; RAISINS - 17; TOBACCO - 7; COTTON - 3; DRIED FIGS - 2.5;

1978 PROTOCOL PROVIDES FOR LARGE BOOSTS IN TURKISH EXPORTS OVER LEVELS PLANNED IN 1977 PROTOCOL FOR SINTERIZED MAGNESITE (UP 66 PERCENT), CITRUS FRUIT (UP 40 PERCENT), TOBACCO (UP 55 PERCENT), TEXTILES (UP 66 PERCENT), AND OTHER INDUSTRIAL PRODUCTS (UP 150 PERCENT).

7. NEW PROTOCOL ESTABLISHES A \$50 MILLION CREDIT MARGIN FOR CURRENT CLEARING ARRANGEMENT, AS COMPARED TO \$15 MILLION

UNDER 1977 PROTOCOL.

8. MFA CLAIMS IT PLANS TO PUBLISH THE PROTOCOL AND ANNEXES ABOUT APRIL 20, BUT OTHER EMBASSY CONTACTS ESTIMATE THE PUBLICATION DATE TO BE SEVERAL MONTHS LATER. (THE EIGHTEENTH TURKISH-SOVIET TRADE PROTOCOL WAS NOT PUBLISHED UNTIL NOVEMBER 5, 1977, ALTHOUGH IT WAS SIGNED IN MOSCOW ON MARCH 18, 1977. EMBASSY IS POUCHING ENGLISH TRANSLATION OF EIGHTEENTH PROTOCOL.) IN BOTH 1977 AND 1978, THE PROTOCOL WAS SIGNED BY MIKHAIL KISELEV, PRESIDENT OF THE USSR COMMERCE MINISTRY'S ASIAN COUNTRIES DEPARTMENT. HOWEVER, THE GOT SIGNER IN 1977 WAS ACLAN AKKERMAN AND IN 1978 IT WAS TURGUT CARIKLI, THE GENERAL SECRETARY OF THE GOT COMMERCE MINISTRY'S FOREIGN TRADE DEPARTMENT.

9. MFA CONFIRMS REPORT IN REFTEL A THAT, IN SEPARATE BUT RELATED EVENT, TURKISH-SOVIET FRAMEWORK AGREEMENT ON ECONOMIC COOPERATION, INITIALED ON MARCH 15, 1977, BECAME EFFECTIVE MARCH 31, 1978. THIS AGREEMENT PROVIDES FOR COOPERATION DURING THE NEXT TEN YEARS, PARTICULARLY IN THE FOLLOWING INDUSTRIES: IRON, STEEL, ALUMINUM, ALUMINA, ELECTRO-TECHNICAL, ENERGY PRODUCTION, PETROLEUM REFINING, AS WELL AS HEAVY AND LIGHT INDUSTRY.

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DOE-15 ACDA-12 MCE-00 OES-07 /146 W
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10. COMMENT. TURKISH-SOVIET NEGOTIATIONS LASTED LONGER THAN EXPECTED (THREE WEEKS) AND GOT IS INORDINATELY SECRETIVE ABOUT RESULT BECAUSE NINETEENTH TURKISH-SOVIET TRADE PROTOCOL IS AS SIGNIFICANT FOR WHAT IT OMITS AS FOR WHAT IT INCLUDES.
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BOTH TURKISH AND SOVIET SPOKESMEN ACKNOWLEDGE THAT IT DOES NOT REFLECT TURKISH REQUEST TO BARTER TURKISH WHEAT FOR SOVIET PETROLEUM. THIS REQUEST HAS BEEN SHELVED, PROBABLY UNTIL PRIME MINISTER ECEVIT'S VISIT TO MOSCOW (TENTATIVELY SET FOR JUNE 1978), AT WHICH TIME THE USSR MIGHT BE WILLING TO SELL OIL -- IF IT HAS ANY TO SPARE -- FOR NOTHING LESS THAN HARD CASH OR ITS POLITICAL EQUIVALENT, SUCH AS THE LONG-DEFERRED TURKISH ACCEPTANCE OF A NON-AGGRESSION PACT. MOREOVER, THE SOVIET TRADE REPRESENTATIVES IN ANKARA EXPRESSED DOUBT ABOUT THE TURKISH ABILITY TO DELIVER MUCH WHEAT TO THE SOVIET UNION, CITING TURKISH TRANSPORT AND QUALITY PROBLEMS.

11. THE TWO ECONOMIC IMPLICATIONS OF THE PROTOCOL ARE THAT IT INCREASES THE PORTION OF TURKEY'S FOREIGN TRADE ON BARTER TERMS AND IT PROVIDES FOR TURKEY TO START REPAYING THE USSR IN KIND FOR CREDITS IT HAS EXTENDED SINCE 1967. GOT CHOSE TO INCREASE BARTER TRADE WITH THE USSR BY 37 PERCENT IN ORDER TO OBTAIN INPUTS FOR AGRICULTURE AND INDUSTRY WHICH IT IS UNABLE TO OBTAIN FROM WESTERN COUNTRIES FOR LACK OF FOREIGN EXCHANGE. IF THIS PROTOCOL WERE FULFILLED, THE USSR WOULD RECEIVE APPROXIMATELY 10 PERCENT OF TURKEY'S EXPORTS AND WOULD SUPPLY APPROXIMATELY 3 PERCENT OF TURKEY'S IMPORTS (AS COMPARED TO THE 1.4 PERCENT AND 4.6 PERCENT, RESPECTIVELY, WHICH WAS REALIZED IN 1977). MFA OFFICIAL TOLD EMBOFF THAT GOT IS UNHAPPY WITH TURKISH-EAST EUROPEAN TRADE, WHICH HAS DEVELOPED A DEFICIT SINCE TURKEY SHIFTED FROM BARTER TO FREE CURRENCY FINANCING WITH ALL OF EAST EUROPE EXCEPT ALBANIA. THE OTHER ECONOMIC IMPLICATION OF THE PROTOCOL IS THAT THE USSR HAS PERSUADED THE GOT TO EXPORT \$48 MILLION WORTH OF GOODS MORE THAN THE USSR WILL EXPORT IN RETURN SO THAT TURKEY REPAYS SOME OF THE CREDITS IT HAS RECEIVED FROM THE USSR UNDER THE

ECONOMIC COOPERATION AGREEMENTS OF 1967 AND 1972. IF TURKEY
IS ABLE TO ACHIEVE A TRADE SURPLUS WITH THE USSR, IT WILL BE
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THE FIRST TIME IT HAS DONE SO SINCE 1967 (WHEN THE SURPLUS
WAS ONLY \$1 MILLION).

12. ALTHOUGH ALL OF THE SOVIET PRODUCTS TURKEY PLANS TO IMPORT
ARE FOR CIVILIAN PURPOSES (AS FAR AS THE EMBASSY CAN DETERMINE),
THE FIVE MI-6 OR MI-8 HELICOPTERS ARE LARGER THAN THE TYPES
NORMALLY USED FOR INSECTICIDE SPRAYING. EMBASSY NOTES THAT
GOT MAY HOPE TO USE THESE HELICOPTERS FOR OTHER PURPOSES,
SUCH AS TURKISH PETROLEUM CORPORATION'S PLANS TO CARRY OIL
RIGS TO NEWLY DISCOVERED FIELDS SOUTH OF LAKE VAN.

13. ACTION REQUESTED. EMBASSY HAS BEEN UNABLE TO FIND ANY
INDICATION THAT WOLFRAM (TUNGSTEN) OR SINTERIZED MAGNESITE
IS A STRATEGIC MATERIAL, BUT WOULD APPGECIATE DEPARTMENTAL
CLARIFICATION AS TO WHETHER TURKEY WOULD BE IN VIOLATION OF
ANY INTERNATIONAL UNDERTAKING IF IT WERE TO PROVIDE EITHER
OF THESE MATERIALS TO THE SOVIET UNION.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, TREATY SIGNATURE, TRADE AGREEMENTS, ECONOMIC AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ANKARA02950
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780165-0668
Format: TEL
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780451/aaaabrdr.tel
Line Count: 358
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 760528ad-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 ANKARA 2536, 77 ANKARA A-78
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2952557
Secure: OPEN
Status: NATIVE
Subject: TURKISH-SOVIET TRADE PROTOCOL AND ECONOMIC COOPERATION AGREEMENT CONFIDENTIAL
TAGS: ETRD, EEWT, TU, UR
To: STATE USOECD MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/760528ad-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014